

11-7-526

**Watervliet Joint Fire Board**

**Financial Statements**

**March 31, 2004**

RENDEL ELIE  
———&———  
ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

# AUDITING PROCEDURES REPORT

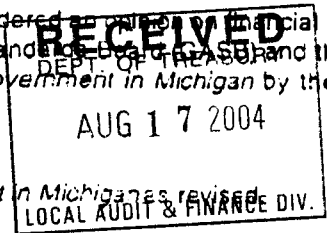
Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Waterford Joint Fire Board	County Berrien
Audit Date 3/31/04	Opinion Date 6/22/04	Date Accountant Report Submitted to State: 8/12/04	

We have audited the financial statements of this local unit of government and rendered an opinion on the financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1963, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Rendel Elie & Associates, CPA's			
Street Address 1010 Main Street	City St. Joseph	State MI	ZIP 49085
Accountant Signature Myrda Elie, CPA			

# **Watervliet Joint Fire Board**

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RENDEL ELIE  
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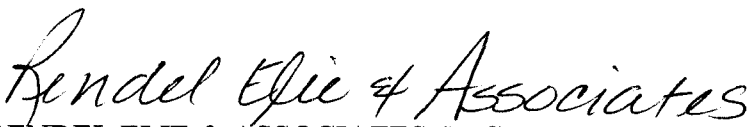
Independent Auditors' Report

Board of Trustees  
Watervliet Joint Fire Board  
Watervliet, Michigan

We have audited the accompanying general purpose financial statements of the Watervliet Joint Fire Board of Watervliet, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of the Watervliet Joint Fire Board. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Watervliet Joint Fire Board of Watervliet, Michigan, as of March 31, 2004 and for the year then ended.

  
RENDEL ELIE & ASSOCIATES, PLC  
CERTIFIED PUBLIC ACCOUNTANTS

June 22, 2004

1010 Main Street  
St. Joseph, MI 49085  
(269) 983-1069  
(269) 983-3606 fax

**Watervliet Joint Fire Board**  
**Combined Balance Sheet - All Fund Types and Account Groups**  
**March 31, 2004**

Assets	Governmental Fund Type	Account Groups		Total (Memorandum Only)
	General Fund	General Fixed Assets	General Long- Term Debt	
Cash	\$ 26,706	\$ -	\$ -	\$ 26,706
Prepaid insurance	11,221	-	-	11,221
Fixed assets	-	1,457,284	-	1,457,284
Amount to be provided for obligations	-	-	321,000	321,000
Total assets	<u>\$ 37,927</u>	<u>\$ 1,457,284</u>	<u>\$ 321,000</u>	<u>\$ 1,816,211</u>
Liabilities				
Accounts payable	\$ 24,126	\$ -	\$ -	\$ 24,126
Current lease obligations payable	-	-	16,000	16,000
Obligations under capital lease	-	-	305,000	305,000
Total liabilities	24,126	-	321,000	345,126
Fund Equity				
Investment in general fixed assets	-	1,457,284	-	1,457,284
Fund balances:				
Unreserved				
Undesignated	13,801	-	-	13,801
Total fund equity	13,801	1,457,284	-	1,471,085
Total liabilities and fund equity	<u>\$ 37,927</u>	<u>\$ 1,457,284</u>	<u>\$ 321,000</u>	<u>\$ 1,816,211</u>

See auditors' report and notes to financial statements.

**Watervliet Joint Fire Board**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund**  
**Year Ended March 31, 2004**

Revenues and support:	
Property taxes - Township of Watervliet	\$ 85,000
Receipts from other governmental units:	
City of Watervliet	35,000
Township of Bainbridge	15,969
Other	4,941
Total revenue and support	140,910
Expenditures:	
Volunteer firemen pay	34,619
Capital outlay	19,793
Insurance	17,949
Utilities	10,141
Payroll taxes	5,558
Maintenance:	
Vehicle	5,223
Equipment	2,009
Building	1,716
Radio	1,143
Supplies	2,877
Professional fees	2,620
Fire chief's fee	2,400
Medical	2,210
Education and training	2,109
Board meeting fees	2,027
Office supplies	1,575
Bookkeeping and clerical fees	1,488
Assistant fire chief's fee	1,200
Fuel	888
Dues and subscriptions	290
Miscellaneous	29
Total expenditures	117,864
Other financing sources (uses):	
Proceeds from sale of asset	2,500
Capital lease payment	(32,598)
Total financing sources (uses)	(30,098)
Total expenditures and financing uses	147,962
Excess of revenues (expenditures)	(7,052)
Fund balance, beginning of year	20,853
Fund balance, end of year	\$ 13,801

See auditors' report and notes to financial statements.

**Watervliet Joint Fire Board**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund**  
**Budget and Actual**  
**Year Ended March 31, 2004**

	Budget	Actual	Variance Over (Under)
Revenues and support:			
Property taxes - Township of Watervliet	\$ 85,000	\$ 85,000	\$ -
Receipts from other governmental units:			
City of Watervliet	35,000	35,000	-
Township of Bainbridge	11,349	15,969	4,620
Other	1	4,941	4,940
Total revenue and support	131,350	140,910	9,560
Expenditures:			
Volunteer firemen pay	29,400	34,619	5,219
Capital outlay	-	19,793	19,793
Insurance	18,500	17,949	(551)
Utilities	8,500	10,141	1,641
Payroll taxes	5,000	5,558	558
Maintenance:			
Vehicle	6,000	5,223	(777)
Equipment	2,000	2,009	9
Building	1,500	1,716	216
Radio	2,000	1,143	(857)
Supplies	1,500	2,877	1,377
Professional fees	3,550	2,620	(930)
Fire chief's fee	2,400	2,400	-
Medical	2,500	2,210	(290)
Education and training	4,500	2,109	(2,391)
Board meeting fees	3,500	2,027	(1,473)
Office supplies	1,500	1,575	75
Bookkeeping and clerical fees	1,200	1,488	288
Assistant fire chief's fee	1,200	1,200	-
Fuel	3,000	888	(2,112)
Dues and subscriptions	800	290	(510)
Miscellaneous	1,000	29	(971)
Total expenditures	99,550	117,864	18,314
Other financing sources (uses):			
Proceeds from sale of asset	-	2,500	2,500
Capital lease payment	(31,800)	(32,598)	798
Total financing sources (uses)	(31,800)	(30,098)	1,702
Total expenditures and financing uses	131,350	147,962	16,612
Excess of revenues (expenditures)	-	(7,052)	(7,052)
Fund balance, beginning of year	20,853	20,853	-
Fund balance, end of year	\$ 20,853	\$ 13,801	\$ (7,052)

See auditors' report and notes to financial statements.

**Watervliet Joint Fire Board**  
**Notes to Financial Statements**  
**March 31, 2004**

**Summary of Significant Accounting Policies**

**Scope of the Reporting Entity** - The City of Watervliet and the Township of Watervliet entered into a joint venture to form the Watervliet Joint Fire Board. The purpose of the Joint Fire Board is to operate, maintain, provide and supervise fire service. The Joint Fire Board operates under a Board of Trustees form of government and consists of members appointed by the City and Township. The financial statements for the Watervliet Joint Fire Board, as listed in the table of contents, constitute a financial report of a joint venture as defined in GASB Statement 14.

Financial statements for the City of Watervliet and Township of Watervliet are available at their respective offices.

**Basis of Presentation** – The accounts of the Joint Fire Board are organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures as appropriate. The following fund type is used by the Joint Fire Board:

**Governmental Fund Type**

*General Fund* – The General Fund is the general operating fund of the Joint Fire Board and accounts for all revenues and expenditures. Revenues are derived primarily from contributions from supporting local units.

**Account Groups**

*General Fixed Assets Account Group* – This Account Group is used to account for fixed assets used in operations. All general fixed assets are valued at historical cost, or estimated historical cost if actual historical cost is not available. No depreciation is recorded on general fixed assets.

The extent of estimates as of March 31, 1999 are:

	<u>Estimated Original Cost</u>
Land	\$ 2,620
Land improvements	1,000
Building and improvements	124,900
Building contents	19,662
Vehicles	90,500
Fire and rescue equipment	<u>139,358</u>
Total	<u>\$ 378,040</u>



**Watervliet Joint Fire Board**  
**Notes to Financial Statements**  
**March 31, 2004**

**Summary of Significant Accounting Policies (continued)**

*General Long Term Debt Account Group* – This account Group is used to account for long-term liabilities to be financed from governmental fund types.

**Basis of Accounting** – The Fire Board uses the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, if measurable.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Risk Management** – The Fire Board is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Fire Board has purchased commercial insurance for property, liability and workers' compensation.

**Total Columns on Combined Statements** – Total columns on the combined statement are captioned "memorandum only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

**Budget Information**

Annual budget requests are submitted to the supporting local units of government. The local units review the budget requests and may either approve, amend, or reject the budget requests.

Budgets accepted by the governing bodies of the supporting local units of government provide budgetary control of the General Fund of the fire board at the fund level.

**Watervliet Joint Fire Board**  
**Notes to Financial Statements**  
**March 31, 2004**

**Budget Information (continued)**

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget has been adopted on a line item basis.

The budget statement (combined statement of revenue, expenditures and changes in fund balances - budget and actual - general fund types) is presented on the same basis of accounting used in preparing the adopted budget.

**Deposits and Investments**

State statutes authorize the Joint Fire Board to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by units of government in Michigan. The Joint Fire Board is in accordance with statutory authority.

The Joint Fire Board has designated a local bank as its depository. Its cash and cash equivalents consist of a checking account.

**Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the year ended March 31, 2004:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 10,662	\$ -	\$ -	\$ 10,662
Land Improvements	7,887	-	-	7,887
Building and improvements	159,335	-	-	159,335
Building contents	22,236	-	17	22,219
Building addition under capital lease	360,000	-	-	360,000
Vehicles	611,676	3,669	92,192	523,153
Computer equipment	17,489	-	-	17,489
Fire and rescue equipment	340,553	16,107	121	356,539
Total	<u>\$ 1,529,838</u>	<u>\$ 19,776</u>	<u>\$ 92,330</u>	<u>\$ 1,457,284</u>

See auditors' report.

**Watervliet Joint Fire Board  
Notes to Financial Statements  
March 31, 2004**

**Leased Building Under Capital Lease**

The Watervliet Joint Fire Board has elected to capitalize its long-term lease agreement. The Fire Board and the Township of Watervliet executed an agreement for the construction and lease of the fire station on July 12, 2000. The Township borrowed a sum of money necessary to pay the cost and expenses of constructing an addition to the fire station. The Township is primarily obligated under the municipal purchase contract for the payments due. The Fire Board will reimburse the Township for such payments as lease payments. The site upon which the project is being constructed was held by the Fire Board. The Fire Board conveyed and transferred to the Township, title to the parcel of land for use by the Township solely as a site for the project. The lease contract shall terminate upon the final payment of all principal and interest on the municipal purchase contract. When all obligations under the contract are paid in full, the Township shall re-convey the property to the Fire Board without consideration, by quit claim deed. The municipal purchase contract is scheduled to be paid off on September 1, 2015, at which time the ownership of the land and building will transfer to the Fire Board.

**Long-Term Debt**

The following is a summary of changes in long-term debt for the fiscal year ended March 31, 2004:

	<u>Balance</u> <u>April 1, 2003</u>	<u>Payments</u>	<u>Balance</u> <u>March 31, 2004</u>
Capital Lease	<u>\$335,000</u>	<u>\$14,000</u>	<u>\$321,000</u>

The following is a schedule, by year, of future minimum lease payments with the present value of the net minimum lease payments as of March 31, 2004:

Year ended 2005	\$ 33,747
Year ended 2006	34,783
Year ended 2007	35,706
Year ended 2008	36,515
Year ended 2009	37,211
Thereafter	<u>267,579</u>
Total minimum lease payments	\$445,541
Less amount representing interest	<u>(124,541)</u>
Net minimum lease payments	<u>\$321,000</u>

See auditors' report.

**Watervliet Joint Fire Board**  
**Notes to Financial Statements**  
**March 31, 2004**

**Related Party Transactions**

The Watervliet Joint Fire Board is located in a small community. During the ordinary course of business it may require the services of companies which are owned by individuals considered to be "related parties". During the fiscal year ending March 31, 2004, there were no material related party transactions.

**Property Tax Revenue**

**Property Taxes** – In November of 2002, the electors of the Township of Watervliet, approved a .9803 millage levy on the taxable property in the Township. The levy expires in 2006.

**Subsequent Event – Change in Support**

**Property Taxes** - On July 15, 2004, the electors of the City of Watervliet, approved a 2 millage levy on the taxable property in the City for a period of two years. The levy will raise \$51,972 during the first year. The levy expires in 2006.

**Future changes to Financial Reporting Requirement - GASB 34**

New accounting standards apply effective for the years beginning after June 15, 2003. This will dramatically revise the information being reported in these financial statements. The governmental activities will be reported by individually significant fund, as well as in total on the full accrual basis of accounting. Information is not available to present the pro-forma effect of this change.

RENDEL ELIE  
— & —  
ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

June 22, 2004

Watervliet Joint Fire Board  
Watervliet, Michigan

Report of Comments and Recommendations

In planning and performing our audit of the financial statements of the Watervliet Joint Fire Board, for the year ended March 31, 2004, we considered its internal control structure in order to determine the auditing procedures for the purpose of expressing an opinion on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Watervliet Joint Fire Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Our consideration of the internal control structure was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in any control structure, errors or irregularities may occur and not be detected by such control structure.

We offer the following comments for your consideration:

*Financial support* - As the state revenue funding to local governmental units decline, the budgets for the local units will continue to become tighter, and contributions may continue to decline. We suggest the Fire Board continue to research grant options, donations, and other revenue sources, as additional means of funding.

*GASB 34* - The board will be required to implement the new accounting model in the current fiscal year. We will work with you to assist you with this process.

1010 Main Street  
St. Joseph, MI 49085  
(269) 983-1069  
(269) 983-3606 fax


RENDEL ELIE  
— & —  
ASSOCIATES PLC  
CERTIFIED PUBLIC ACCOUNTANTS

*Accounting* – We are available for accounting assistance with the change in Treasurer's. We will provide year-end balances and we are available for Quickbooks training.

This report is intended solely for the information and use of management and the Board. This restriction is not intended to limit distribution of this report, which is a matter of public record.

We wish to express our appreciation for the friendliness and cooperation extended to us during this audit.

Sincerely,

  
Lynda Rendel Elie  
Certified Public Accountant

RENDEL ELIE & ASSOCIATES PLC, CPA'S

1010 Main Street  
St. Joseph, MI 49085  
(269) 983-1069  
(269) 983-3606 fax